

IDAHO OUTLOOK

NEWS OF IDAHO'S ECONOMY AND BUDGET

STATE OF IDAHO * DIVISION OF FINANCIAL MANAGEMENT * DECEMBER 2001 VOLUME XXIII NO. 6

Although Thanksgiving is officially behind us, many Idahoans are still finding things to be thankful about. One group is the state's agricultural producers. After experiencing several challenging years, prices received by Gem State's farmers and ranchers finally are improving. This can be seen in the accompanying table that compares prices received by commodity in October 2000 to prices received in October 2001. For most products, prices are higher this year.

Many of the crop prices have improved dramatically. Potatoes, Idaho's highest value crop, enjoyed its strongest price in recent memory this fall. The average price received for Idaho potatoes this October was over 45% higher than last year's price. The price of Idaho wheat also rallied this fall with a 28% increase. Barley prices rose 27% in October 2001 and alfalfa hay prices are up more than 25% per ton from last year. The price paid for dry beans also nudged up 4.5% from last October.

Like the state's crop growers, Idaho's livestock producers experienced higher prices this fall. The price of milk showed the biggest improvement with an impressive 46% gain. Other livestock prices displayed less of a jump. The price for Idaho calves rose nearly 6% per hundredweight

and the price for beef cattle rose 2% in October 2001. Unfortunately, lamb prices collapsed 35%.

Another thing farmers and ranchers have to be thankful for is the promising start to the current water year. It took longer than usual, but when winter finally arrived in late November, it did so in grand style. As of December 11, 2001 all reporting basins of the USDA Snow Survey Data Collection Office had experienced year-to-date precipitation that was above the 30-year average. This is a welcome change from last year, when data for

the same date show none of the basins had experienced even average precipitation. The Oakley Reservoir Basin came the closest last year at 95% of average. Precipitation in northern Idaho, on the other hand, was well below average. The Idaho Panhandle Basin was just 40% of average and the Clearwater Basin was 59% of average. This year these two basins are both over 125% above their respective averages. The hope is that water conditions will remain strong through the rest of the water year so that reservoirs can refill and provide the state's agricultural sector with an abundant water supply.

MID-OCTOBER PRICES RECEIVED BY IDAHO FARMERS				
Commodity	Unit	Price		
		2000	2001	Change
Crops				
Alfalfa Hay	Ton	\$99.00	\$125.00	26.3%
Barley	Bu.	\$2.16	\$2.75	27.3%
Dry Beans	Bu.	\$17.90	\$18.70	4.5%
Potatoes	Cwt.	\$3.85	\$5.60	45.5%
Wheat	Bu.	\$2.52	\$3.23	28.2%
Livestock				
Beef Cattle	Cwt.	\$60.50	\$61.90	2.3%
Calves	Cwt.	\$91.00	\$96.00	5.5%
Lambs	Cwt.	\$74.00	\$48.00	-35.1%
Milk	Cwt.	\$10.50	\$15.30	45.7%
Note: Price for lambs is for September 2001.				
Source: Idaho Agricultural Statistics Service				

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General Fund Update

As of November 30, 2001

<u>Revenue Source</u>	<u>\$ Millions</u>		
	FY02	DFM	Actual
	Executive Estimate ³	Predicted To Date	Accrued To Date
Individual Income Tax	973.1	335.3	320.6
Corporate Income Tax	102.5	26.0	15.9
Sales Tax	666.6	288.1	285.9
Product Taxes ¹	20.4	8.9	9.2
Miscellaneous	<u>112.4</u>	<u>33.1</u>	<u>33.1</u>
TOTAL GENERAL FUND²	1,875.0	691.4	664.7

¹ Product Taxes include beer, wine, liquor, tobacco and cigarette taxes
² May not total due to rounding
³ Revised Estimate as of August 2001

General Fund Revenue took a distinct turn for the worse in November, coming in \$9.3 million lower than expected for the month. Income tax, both Individual and Corporate, has accounted for the bulk of November's underperformance. Sales Tax collections hit the month's target, but this was most likely an anomaly resulting from automobile financing incentives. Total General Fund revenue is now \$26.7 million lower than expected for the first five months of FY 2002. It is now certain that when the next OUTLOOK is released in January it will be based on a lower forecast of FY 2002 revenue.

Individual Income Tax revenue was \$7.0 million lower than expected in November. This large variance is due to a combination of lower-than-expected withholding collections (down \$5.2 million) and higher-than-expected refunds (up \$1.7 million). Filing collections were low by a mere \$0.1 million. Year to date, this revenue source is now \$14.7 million lower than expected, and

represents over half of the total General Fund shortfall. Withholding collections are actually \$15.7 million lower than expected on a year-to-date basis. The current (August 2001) forecast contemplates a 1.1% decline in withholding collections in FY 2002. Actual withholding collections for the five months through November are 9.7% lower than the same period a year earlier, and the month of November was 15.1% lower than last November.

Corporate Income Tax revenue was \$1.7 million lower than expected in November, reversing a two-month trend of better-than-expected collections. November's weakness was entirely due to refunds that were \$1.7 million higher than expected for the month. Given recent developments in the economy, it is likely that corporate refunds will continue to outpace the expectations of the current revenue forecast. This revenue source is now unlikely to achieve the revenue level in the current forecast.

Sales Tax collections were exactly on target in November. At first glance, this may seem positive in view of the events in September, but closer inspection suggests November sales tax collections were actually below "adjusted" expectations. This is because zero-interest-financing incentives for automobiles led to record increases in October sales of durable goods and should have yielded an upward spike in sales tax collections. Just meeting the predicted level for the month is actually disappointing.

Product Taxes were \$0.2 million ahead of the target for November, and now stand \$0.3 million ahead of the predicted amount for the fiscal year to date. Curiously, this excess is entirely due to excess cigarette and tobacco tax receipts in October and November. Miscellaneous Revenue was \$0.8 million lower than expected for November. The majority of this weakness was due to lower-than-expected interest earnings.